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UNCLAS SECTION 01 OF 02 MANAGUA 000116

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SUBJECT: NICARAGUA: ORTEGA TELLS MICROFINANCE PROTESTORS TO PAY UP

REF: 08 Managua 932

11. (U) Summary. During the overnight hours of January 13 and 14, protestors in the northern Department of Nueva Segovia blocked the Pan-American Highway for more than eight hours, demanding that the Nicaraguan National Assembly pass legislation (the Ley Moratoria) to "protect" borrowers from high interest rates charged by local microfinance institutions. Special Forces from the Nicaraguan National Police forcibly removed the protestors using tear gas. The demonstrators, known collectively as the "No Pago" (No Payment) movement, vowed to continue their protests nationwide, though President Ortega publicly voiced his opposition during a recent speech. GON officials and representatives from microfinance institutions are concerned that if enough people believe that they do not have to pay their debts, the result will be decreased credit availability for the agricultural sector during planting season. End Summary.

12. (U) The Nicaraguan "No Pago" movement claims approximately 1,500 members, most of whom are small agricultural producers in northern Nicaragua.

13. (U) In July 2008, Gonzalez led similar protests against microfinance lenders in Ocotal, which culminated in the kidnapping of a local microfinance branch manager and the setting of numerous fires (ref). These actions had at least partially been sparked by President Ortega, who had earlier called on borrowers to demand the renegotiation of usurious lending rates.

14. (U) In a sharp about-face from his supportive rhetoric last July, President Ortega, during his January 15 "inaugural" speech for newly-elected

15. (U) Alfredo Alaniz, President of the Association of Microfinance Institutions warned that if recent protests continue, microfinance institutions will decrease lending availability, negatively affecting a key part of the Nicaraguan economy during planting season. Enrique Zamora, President of the Association of Producers and Exporters (APEN), seconded this concern. Zamora told center-right daily La Prensa on January 21 that that it "would be very irresponsible if we put at risk the country's production because of a small number of people that don't want to pay their debts." A prominent banker in Managua observed that the "No Pago" culture is contagious; while it started with the microfinance institutions, it could move to credit cards and regular loans.

16. (U) Rodolfo Delgado, head of the Coporacion Financiera de Credito, a typical microfinance institution with 3,500 clients in Managua and in northern Nicaragua, told us he has changed strategies, providing credit only to current customers and not opening new credit lines. Delgado said he will try to move his client base to the west and south of Nicaragua, where people are "less contaminated" by the concept of the "No Pago" culture.

COMMENT

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17. (U) Ortega's sharp rhetorical departure from advocating on behalf of the "No Pago" movement to warning against it probably reflects his re-

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